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**FUND'S INFORMATION****Management Company**

BMA Asset Management Company Limited  
801 Unitower. I.I. Chundrigar Road,  
Karachi-74000

**Board of Directors of the Management Company**

Mr. Waqar Hassan Siddique	Chairman
Mr. Muddassar Malik	Chief Executive
Mr. Abdullah Shahin	Director
Mr. Omer Syed	Director
Mr. Thomas James Speechley	Director
Mr. Tashfin I. Huq	Director
Mr. Zahid Qasim Noorani	Director
Mr. Muhammad Iqbal	Director

**Company Secretary & CFO of the Management Company**

Mr. Muhammad Amir Iqbal

**Audit Committee of the Management Company**

Mr. Muhammad Iqbal	Chairman
Mr. Tashfin I. Huq	
Mr. Zahid Qasim Noorani	

**Trustee**

MCB Financial Services Limited  
Trustee Office 3<sup>rd</sup> Floor Adamjee House I.I. Chundrigar Road Karachi

**Bankers**

Standard Chartered Bank Pakistan Limited  
KASB Bank Limited  
JS Bank Limited  
Bank Al-Habib Limited  
The Bank of Khyber  
Faysal Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Silk Bank Limited

**Distributors**

Standard Chartered Bank Pakistan Limited  
BMA Financial Services Limited

**Auditors**

Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants  
Progressive Plaza, Beaumont Road, Karachi

**Legal Adviser**

KMS Law Associates  
207, Beaumont Plaza behind PIDC House, Karachi

**Registrar**

Technology Trade (Pvt.) Limited  
Dagia House, 241C, Block 2, PECHS Karachi

**Management Quality Rating**

AM2- by JCR VIS Credit Rating Company Limited

### **MISSION STATEMENT**

***The BMA Chundrigar Road Savings Fund seeks to provide its investors attractive income with concern for preservation of capital by investing in all fixed income and money market instruments of low risk and short duration to generate attractive rates of return. The Fund will seek to maintain a rupee-weighted average maturity of the investment portfolio of not more than 365 days. The benchmark shall be average one month Kibor rate prevailing within the particular time period.***

### **VISION STATEMENT**

***BMA Asset Management seeks to establish itself as a leader within the asset management industry of Pakistan by following the principles of prudent investment practice and keeping our fiduciary responsibility towards our investors as the core belief to our investment philosophy.***

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of BMA Asset Management Company Limited, the Management Company to BMA Chundrigar Road Savings Fund (BCSF) is pleased to present the year end report of the Fund for the year ended June 30, 2010.

### PROFILE

The launch announcement of the BMA Chundrigar Road Savings Fund (“BCSF”) was made on 14 August, 2007, Pakistan’s 60th year of independence and BCSF was formally launched on 23rd August. The BCSF seeks to provide its investors with an attractive rate of return by investing in all fixed income and money market instruments of low risk and short duration. The fund’s aim is to maintain a rupee-weighted average maturity for the investment portfolio of not more than 5 years. The benchmark for our return is one month KIBOR and all investment returns obtained from the Fund are exempt from capital gains, withholding and income tax.

### FUND’S FINANCIAL PERFORMANCE

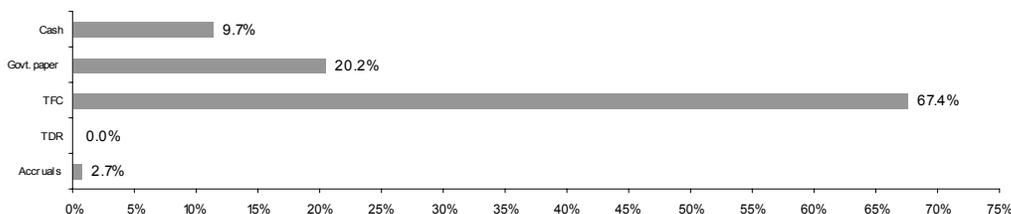
During Fiscal Year 2010 (Jul09-Jun10) the Fund earned PKR120.0 mn from income on investments, bank balances and term deposits. In addition the fund booked reversals of PKR41.3 mn against non performing assets as the issue in question was successfully restructured. Due to movement in TFC prices the fund had unrealized gains of PKR13.1mn, while realized losses on investments were PKR22.2mn. Total income thus came to PKR72.2 mn

Expenses for the year totalled PKR18.0mn and consisted of PKR1.2mn remuneration to the trustee of the fund, PKR0.7mn fee to the SECP and PKR13.8mn remuneration to the management company. As a result net income for the year was PKR54.2 mn.

<b>Financial highlights</b>	<b>June 30, 2010</b>
	<b>Rupees</b>
Mark up/interest income	120,040,891
Reversal of provision against NPA	41,250,000
<b>Total Income</b>	<b>72,235,573</b>
Expenses	18,025,708
<b>Net Income</b>	<b>54,209,865</b>
Net Asset Value per unit (Rupees)	10.52

As of 30 June the net assets of the Fund were PKR356.0mn, of which 9.68% was held as cash. TFCs comprised the major investment with 67.4% while sovereign rated government paper had a 20.2% share in total allocation. The weighted average time to maturity of the portfolio as of 30 June was 5.10 years.

**Asset Allocation [30.06.10]**



## **RETURN DURING THE PERIOD FOR INVESTORS**

During 2HFY10 (Jan10-Jun10) TFC prices exhibited high volatility, while constraints on domestic liquidity and inflationary pressures saw secondary market yields rise. Despite high exposure to corporate debt instruments the fund was able to generate a competitive return of 8.54% for unit holders in the fiscal year.

## **RECENT DEVELOPMENTS**

The issues of Maple Leaf Cement Factory (MLCF) and Kohat Cement Company Limited (KCCL) continued to make timely payments in line with the terms agreed upon restructuring. Moreover KCCL was reclassified as a performing security by the Mutual Funds Association of Pakistan though it has yet to regain secondary market liquidity. Accordingly a provisioning reversal was booked against KCCL in line with SECP regulations. An insurance payment from the defaulted New Allied Electronics PPTFC is also under process and is expected to be received during the new financial year.

First Dawood Investment Bank Limited (FDIBL) made a default in repayment against COI amounting to Rs. 35 million, on 23 October 2008. The Fund filed a suit for the recovery of its investment. The suit was heard in the Banking Court No.III at Karachi and a decree was issued in favor of the Fund on May 07, 2010. FDIBL has appealed against the decree obtained by the Fund in the High Court of Sindh, Karachi, which is pending adjudication. The Fund's legal counsel on the merits of the case is confident that the Fund will recover its investment from FDIBL. However, on the basis of prudence, the management has made a provision against the said investment.

NAV volatility is a direct result of fluctuation in TFC prices as under the MUFAP pricing framework. However it should be noted that the yield to maturity on the TFC portfolio is close to 20% and should generate competitive returns for investors who continue to remain invested in the Fund.

## **MACROECONOMIC OUTLOOK**

In a surprise move the SBP increased the discount rate in Jul10 by 50bps to 13.0%. This was against market expectations and caused secondary market yields to immediately jump by 30bps-40bps as fears over further monetary tightening in Fiscal Year 2011 escalated.

Inflationary pressures are expected to resurge in the wake of Ramadan, elimination of power tariff subsidies and increase in international prices for wheat. Moreover the worst floods in 80 years have affected nearly 15 million people, caused infrastructural damage and compromised agricultural output. Supply side constraints and food inflation are expected to keep the consumer price index above 12.5% for the next quarter.

With government spending expected to spike after the floods and international aid flows uncertain, budgetary borrowing from the SBP and scheduled banks will cause monetary expansion while draining liquidity away from the system. Private sector crowding out at this point seems inevitable, as the increase in systemic risk, pushes borrowing rates even higher. Large scale manufacturing, which is already plagued by electricity shortages, circular debt and a poor law and order situation will take a hit and directly affect GDP growth in FY11.

While FX reserves are at a comfortable USD16.5bn and the current account deficit dropped by 60% during FY10, the external deficits are expected to expand on the back of resurgent import demand. As a consequence the PKR has shown consistent weakness against the USD and is expected to steadily depreciate to a level of 90-91 by Jun11.

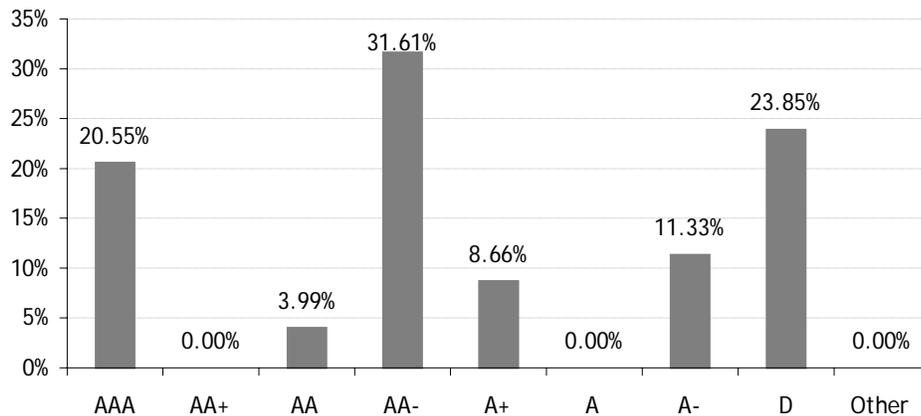
With upside risks to the discount rate increasing, the SBP may be forced to tighten its monetary stance again during FY11. While a higher discount rate will not dampen inflationary pressures emanating from supply side constraints and fiscal haemorrhaging, being in an IMF program limits the options available to policy makers.

**STRATEGY**

In light of the above macroeconomic scenario, BCSF's strategy is likely to focus on the following;

- f Allocation to TFCs will continue to be reduced so that NAV volatility can be minimized in the coming months.
- f After raising cash from its corporate debt holdings the fund will concentrate exposure in sovereign rated T bills and high quality term deposits.
- f Portfolio duration will be shortened to take advantage of the expected increase in interest rates.
- f Adequate liquidity will be maintained in the form of cash and near equivalents, so that placements at attractive rates can be made at opportune times.

Credit Quality [30.06.10]



**Acknowledgement**

The Board is thankful to its valued investors, the Securities and Exchange Commission of Pakistan, the Trustees of the Fund, MCB Financial Services Limited and the Registrar, Technology Trade (Pvt) Limited. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the meticulous management of the Fund.

**For and on behalf of the  
Board**

**Karachi  
September 07, 2010**

**Muddassar Malik  
Chief Executive Officer**

**REPORT OF THE FUND MANAGER**
**Annual Fund Report - 30 June 2010**
**NAV 10.52**
**Fund Objective**

The BMA Chundrigar Road Savings Fund seeks to provide its investors with an attractive rate of return by investing in all fixed income and money market instruments of low risk and short duration. The fund will seek to maintain a rupee-weighted average maturity for the investment portfolio of not more than 5 years.

**Fund Details**

Structure	Open End
Inception Date	23-Aug-07
Fund Stability Rating	A- (JCR)
Management Quality Rating	AM2- (JCR)
Base Currency	PKR
Listing	KSE
Minimum Subscription in PKR	5,000
Benchmark	1M KIBOR
Assets in PKR MLN [30.06.10]	356.0
NAV/unit in PKR [30.06.10]	10.52

**Fee & Redemption Structure**

Management Fee	1.50%
Front end Load	Up to 1.00%
Valuation Frequency	Daily

**Manager Details & Service Provider**

Fund Manager	Mustafa Pasha BMA Funds
Trustee	MCFSL
Auditors	Ernst Young Ford Rhodes Sidat Hyder
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates

**Subscription/Client Service Contact**

Email	clientservice@bmafunds.com
Website	www.bmafunds.com
Phone	+92 21 111 262 111
SMS	Type "INVEST" and send to 2620
Toll Free	0800 00262

**Fund Review Note**

During FY10 BCSF generated an annualized return of 8.54% for unit holders. AUMs were at PKR356.0mn. A dividend of Rs.1.12 (11.6% of the opening NAV) was also paid out for the year ended June 10.

**Market & Economic Review**

During FY10 the economy continued to recover from the shocks seen during 2008-09. Inflation bottomed out at 8.7% in Oct09, remittances hit a record high of USD8.9bn and the current account deficit declined by over 60% to USD3.5bn. With the PKR relatively stable and FX reserves climbing to USD16.8bn, the country seemed (with the help of the IMF) to be well on its way to sustaining macroeconomic stability.

However structural problems continued to plague the real sectors of the economy. The circular debt issue was never fully resolved and adversely affected power generation which in turn hampered industrial output. Monetary policy was compromised by fiscal indiscipline and could not loosen policy to really kick start the economy. Since then the country has faced political turmoil and one of the worst natural disasters in history. The massive scale of the flooding is expected to negatively impact agricultural output, hit textile exports, increase government spending on rehabilitation and push up food prices.

**Return Risk Statistics**

Annualized Return [CY10TD]	-0.82%
Annualized Return [FY10]	8.54%
Portfolio Weighted Avg. Time to Maturity	5.10 YR
Portfolio Standard Deviation	4.01%
1M KIBOR Yield	12.45%
1M KIBOR standard deviation	10.19%

**Portfolio Credit Quality**

AAA	AA+	AA	AA-	A+	A	A-	D	Other
20.55%	0.00%	3.99%	0.00%	40.27%	0.00%	11.33%	23.85%	0.00%

With international aid not forthcoming on the scale earlier envisaged in budget estimates and inflationary pressures resurgent, the SBP went into tightening mode. It increased the discount rate twice during Jul10 and Sep10 to 13.5%. GDP growth estimates for FY11 have been cut from 4.5% to 2.1%, while inflation is expected to average close to 15.0%. Policy makers must once again focus on consolidation and look to rebuild infrastructure to put the economy back on track.

**Asset Allocation**

During FY10 the Fund maintained an average exposure of 60.8% to TFCs, 15.2% to Government Securities, 10.6% to Term Deposits and 11.1% to cash. Weighted average time to maturity of the portfolio was 5.10 years. Credit quality remained adequate with almost 65% of the fund invested in instruments rated A+ and above.

**Investment Strategy**

Going forward the Fund will be looking to reduce PKR exposure to TFCs in order to increase consistency of returns and minimize NAV volatility. In the current interest rate scenario, deployments will be concentrated in high quality and short tenor instruments. The Fund will continue to maintain healthy levels of cash to ensure flexibility in strategy implementation.

**Asset Allocation**

Asset	June	FY10 Avg
COI	0.0%	0.0%
Term Deposits	0.0%	10.6%
TFCs	67.4%	60.8%
CFS	0.0%	0.0%
Govt. Paper	20.3%	15.2%
Accruals	1.1%	2.4%
Cash	11.2%	11.1%

**KEY FINANCIAL DATA****PERFORMANCE TABLE**

	<b>2010 Rupees</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Net Assets	356,015,482	1,154,725,161	3,430,251,475
Net asset value per unit	10.52	9.69	10.79
Dividend Distribution	1.12	-	0.77
Selling price for units	10.63	9.79	10.90
Repurchase price for units	10.52	9.69	10.79
Highest Offer price per unit	10.96	10.51	10.89
Lowest Offer price per unit	9.87	8.87	10.00
Highest Redemption price unit	10.85	10.41	10.79
Lowest Redemption price unit	9.77	8.78	10.00
Annual return (%)	8.6	(3.17)	9.28
Weighted average portfolio duration	4.42 yrs	3.08 yrs	2.52 yrs

\* The Fund was launched on August 23, 2007.

**Disclaimer**

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS****Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

BMA Chundrigar Road Savings Fund , an open-end Scheme established under a Trust Deed dated April 19, 2007 executed between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited (formerly: Muslim Commercial Financial Services Limited) , as the Trustee . The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on May 18, 2007.

1. BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund, has in all material respects, managed BMA Chundrigar Road Savings Fund during the year ended June 30, 2010 in accordance with the provisions of the following:
  - (i) limitations imposed on the investment powers of the Management Company under the Constitutive Documents;
  - (ii) the valuation and pricing of Units are carried out in accordance with the requirements of the Trust Deed and the Offering Document;
  - (iii) the creation and cancellation of Units are carried out in accordance the requirements of the Trust Deed and the Offering Document;
  - (iv) the Non-Banking Finance Companies (Establishment and Regulation ) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and the constitutive documents.

Karachi: August 18, 2010

Chief Executive Officer  
MCB Financial Services Limited  
(formerly: Muslim Commercial Financial Services Limited)

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 30 JUNE 2010**

This statement is being presented by the Board of Directors of BMA Asset Management Company Limited, the Management Company of BMA Chundrigar Road Savings Fund to comply with the Code of Corporate Governance contained in Regulation No.35, Chapter XI of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board has seven non-executive directors, however none of them represent minority shareholders.
  2. The directors have confirmed that none of them is serving as a director in more than ten listed companies (including this Fund).
  3. All the resident directors of the Management Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
  4. Casual vacancy occurred on the Board during the year ended June 30, 2010 due to the resignation of Mr.Farrukh H. Khan, Mr.Moazzam M. Malik, Mr.Mustafa Abdel Wadood and Mr.Arif Masood Naqvi. The casual vacancy was filled in within the stipulated timeline by Mr.Zahid Noorani, Mr.Tashfin I. Huq, Mr.Omer Syed and Mr.Abdullah Shahin.
  5. The business of the Management Company is conducted in accordance with the "Statement of Ethics and Business Practices" signed by all the directors and employees.
  6. The Board has developed a vision / mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
  7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
  8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
  9. The Directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
  10. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
  11. The Board has approved the appointment of CFO, Company Secretary and M/s Yousuf Adil Saleem & Co. Chartered Accountants (Delloite) as internal auditors, including their remuneration and terms and conditions of employment, as determined by Chief Executive Officer.
-

12. The Directors' Report of the Fund for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The directors, CEO and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Chief Executive Officer and CFO duly endorsed the financial statements of the Fund before approval of the Board
15. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
16. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors.
17. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results and as required by the Code. The Terms of Reference of the Committee have been formed and advised to the committee for compliance.
18. The Management Company has outsourced the internal audit function to M/s Yousuf Adil Saleem & Co. Chartered Accountants (Delloite) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Fund confirmed that they have been given a satisfactory rating under Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by Institute of Chartered Accountants of Pakistan .
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the Board**

**KARACHI: September 07, 2010**

**Muddassar Malik  
Chief Executive Officer**

**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of BMA Asset Management Company (the Management Company) of **BMA Chundrigar Road Savings Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2010.

**Ernst & Young Ford Rhodes Sidat Hyder & Co.**

**KARACHI: September 07, 2010**

**CHARTERED ACCOUNTANTS**

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **BMA Chundrigar Road Savings Fund (the Fund)**, which comprise the statement of assets and liabilities as at 30 June 2010, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### **Other matters**

In our opinion, the financial statements have been prepared in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Ernst & Young Ford Rhodes Sidat Hyder & Co.**  
**CHARTERED ACCOUNTANTS**  
Omer Chughtai

**KARACHI: September 07, 2010**

STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2010

	<i>Note</i>	<b>30 June 2010 (Rupees)</b>	<b>30 June 2009 (Rupees)</b>
<b>Assets</b>			
Bank balances	8	<b>34,457,434</b>	377,366,153
Investments	9	<b>312,022,127</b>	748,096,921
Mark-up / interest receivable	10	<b>9,633,092</b>	33,806,227
Deposits, prepayments and other receivables	11	<b>3,158,681</b>	4,461,284
Preliminary expenses and floatation cost	12	<b>2,148,338</b>	3,147,240
<b>Total assets</b>		<b>361,419,672</b>	1,166,877,825
<b>Liabilities</b>			
Remuneration payable to the Management company	13	<b>452,963</b>	1,366,406
Remuneration payable to the Trustee	14	<b>55,571</b>	111,919
Annual fee payable to Securities and Exchange Commission of Pakistan	15	<b>692,371</b>	1,850,180
Payable against redemption of units		<b>413,161</b>	3,934,269
Accrued expenses and other liabilities	16	<b>3,790,123</b>	4,954,880
<b>Total liabilities</b>		<b>5,404,189</b>	12,217,654
<b>CONTINGENCY</b>	17	-	-
<b>NET ASSETS</b>		<b>356,015,483</b>	1,154,660,171
<b>Unit Holders' Fund</b> (as per statement attached)		<b>356,015,483</b>	1,154,660,171
<b>Number of units in issue</b>	18	<b>33,853,364</b>	119,138,917
<b>Net asset value per unit – Rupees</b>	5.7	<b>10.52</b>	9.69

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010

	<i>Note</i>	<b>30 June 2010 (Rupees)</b>	<b>30 June 2009 (Rupees)</b>
<b>Income</b>			
Mark-up/ interest income on investments, bank balances and term deposits-net	19	<b>120,040,891</b>	302,721,657
Loss on investments held at fair value through profit and loss	20	<b>(32,740,821)</b>	(248,076,531)
Reversal/(Provision) for impairment against investments classified as held to maturity	9.5	<b>41,250,000</b>	(76,250,000)
Element of(loss) / income and capital (loss) /gains included in prices of units issued less those in units redeemed – net		<b>(56,476,333)</b>	17,048,634
Other income		<b>161,836</b>	-
<b>Total Income</b>		<b>72,235,573</b>	<b>(4,556,240)</b>
<b>Expenses</b>			
Remuneration of the Management company	13	<b>13,847,431</b>	30,958,850
Remuneration of the Trustee	14	<b>1,199,943</b>	2,041,046
Annual fee to Securities and Exchange Commission of Pakistan	15	<b>692,371</b>	1,850,180
Custody and settlement charges		<b>118,802</b>	214,720
Amortization of preliminary expenses and floatation cost		<b>998,903</b>	996,167
Brokerage expense		<b>223,613</b>	331,610
Auditors' remuneration	21	<b>536,593</b>	532,997
Bank charges		<b>34,388</b>	87,987
Printing and stationery		<b>84,410</b>	235,077
Mutual fund rating fee		<b>178,864</b>	109,388
Legal and professional charges		<b>-</b>	365,645
Listing fee		<b>107,390</b>	85,420
Others		<b>3,000</b>	23,620
<b>Total expenses</b>		<b>18,025,708</b>	<b>37,832,707</b>
<b>Net Income/(loss)</b>		<b>54,209,865</b>	<b>(42,388,947)</b>
<b>Earnings per unit</b>	22	-	-

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010

	30 June 2010 (Rupees)	30 June 2009 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year	54,209,865	(42,388,947)
<b>Adjustments for:</b>		
Mark-up / interest income	(120,040,891)	(302,721,657)
(Reversal)/Provision against non performing assets-net	(17,576,798)	153,328,289
Loss on investments – net	9,067,619	170,998,262
Element of loss / (income) and capital loss / (gains) included in prices of units issued less those in units redeemed – net	56,476,333	(17,048,633)
Amortization of preliminary expenses and floatation cost	998,903	996,166
	<b>(71,074,834)</b>	<b>5,552,427</b>
	<b>(16,864,969)</b>	<b>(36,836,520)</b>
<i>(Increase) / decrease in assets</i>		
Term deposits	100,000,000	1,240,000,000
Receivable against continuous funding system	-	47,627,343
Deposits, prepayments and other receivables	1,302,603	(824,484)
Proceeds from sale of securities	1,064,415,266	1,160,683,834
Investments matured / redeemed during the year	55,672,068	48,551,319
Mark-up / interest income received	144,214,025	357,227,962
Purchase of securities	(675,503,361)	(449,250,138)
	<b>690,100,601</b>	<b>2,404,015,836</b>
<i>Decrease in liabilities</i>		
Remuneration payable to the Management company	(913,443)	(2,837,500)
Remuneration payable to the Trustee	(56,348)	(127,944)
Annual fee payable to Securities & Exchange Commission of Pakistan	(1,157,809)	(439,676)
Payable against purchase of investments	-	(176,562)
Payable against redemption of units	(3,521,108)	(35,817,051)
Accrued expenses and other liabilities	(1,164,757)	(2,987,565)
	<b>(6,813,465)</b>	<b>(42,386,298)</b>
<b>Net cash inflow from operating activities</b>	<b>666,422,167</b>	<b>2,324,793,018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received on issue of units	1,655,316,335	2,722,098,677
Cash paid / payable on redemption of units	(2,564,647,221)	(4,938,252,400)
<b>Net cash used in financing activities</b>	<b>(909,330,886)</b>	<b>(2,216,153,723)</b>
Net (decrease) / increase in cash and cash equivalents	<b>(242,908,719)</b>	<b>108,639,295</b>
Cash and cash equivalents at beginning of the year	<b>277,366,153</b>	<b>168,726,858</b>
<b>Cash and cash equivalents at end of the year</b>	<b>34,457,434</b>	<b>277,366,153</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED 30 JUNE 2010

	30 June 2010 (Rupees)	30 June 2009 (Rupees)
<b>Net assets at the beginning of the year</b> <b>[Rs. 9.69 per unit]</b>	<b>1,154,660,171</b>	<b>3,430,251,475</b>
Cash received on issuance of units*	<b>1,655,316,335</b>	2,722,098,677
Cash paid / payable on redemption of units**	<b>(2,564,647,221)</b> <b>(909,330,886)</b>	(4,938,252,400) (2,216,153,723)
Element of loss / (income) and capital loss / (gains) included in prices of units issued less those in units redeemed	<b>56,476,333</b>	(17,048,634)
Net income for the year	<b>54,209,865</b>	(42,388,947)
Other comprehensive income	-	-
Total comprehensive income for the year	<b>54,209,865</b>	(42,388,947)
<b>Net assets as at end of the year</b> <b>[Rs. 10.52 per unit]</b>	<b>356,015,483</b>	<b>1,154,660,171</b>
	<b>Number of units</b>	
* Number of units issued	<b>160,712,173</b>	280,396,543
Bonus units issued	-	24,438,784
** Number of units redeemed	<b>245,997,726</b>	503,660,862

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited**  
**(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010

	<b>30 June 2010 (Rupees)</b>	<b>30 June 2009 (Rupees)</b>
Undistributed (loss) / income brought forward [includes unrealized loss on investments of Rs. 68,280,019 (2008: unrealised gain of Rs. 4,471,824) realized loss of Rs. 101,417,670 (2008: Rs. 3,162,861)]	<b>(36,625,633)</b>	250,595,941
Net income / (loss) for the year	<b>54,209,865</b>	(42,388,947)
Final distribution of bonus units for the year ended 30 June 2009 : Rs. Nil (2008: Rs. 0.77 per unit dated 07 July 2008)	-	(244,832,627)
Undistributed income / (loss) carried forward [includes unrealized loss on investments of Rs. 8,518,438 (2009: Rs. 68,280,019) realized loss of Rs. 170,246,870 (2009: Rs. 101,417,670)]	<u><b>17,584,232</b></u>	<u><b>(36,625,633)</b></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010

	<b>30 June 2010 (Rupees)</b>	<b>30 June 2009 (Rupees)</b>
Net income / (loss) for the year	<b>54,209,865</b>	(42,388,947)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u><b>54,209,865</b></u>	<u>(42,388,947)</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive**

**Tashfin I. Huq  
Director**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**1. LEGAL STATUS AND NATURE OF BUSINESS**

BMA Chundrigar Road Savings Fund (the Fund) was established in Pakistan under a Trust Deed executed on 19 April 2007 between BMA Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee and authorized under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) by Securities and Exchange Commission of Pakistan (SECP) on 18 May 2007.

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules by the SECP. The registered office of the Management company is situated at 801 Unitower, I.I. Chundrigar Road, Karachi.

The Fund is an open-ended fixed income aggressive mutual fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund except for the units issued to core investors which are not redeemable for a period of two years from the date of issue.

The Fund seeks to provide its investors attractive income with concern for preservation of capital by investing in all fixed income and money market instruments of low risk and short duration to generate attractive rates of returns.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as a trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

**3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 5.1.

These financial statements have been presented in Pakistan Rupees which is the functional and presentation currency of the Fund.

**4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

- IFRS 3 – Business Combinations (Revised)
- IFRS 7 – Financial Instruments: Disclosures (Amendments)
- IFRS 8 – Operating Segments
- IAS 1 - Presentation of Financial Statements (Revised)
- IAS 23 - Borrowing Costs (Revised)
- IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
- IAS 27 - Consolidated and Separate Financial Statements (Amendment)
- IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
- IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 - Distributions of Non-cash Assets to owners
- IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

#### **IAS - 1 "PRESENTATION OF FINANCIAL STATEMENTS (REVISED)"**

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present two statements.

#### **IFRS 7 - "FINANCIAL INSTRUMENTS: DISCLOSURES"**

The amended standard requires additional disclosures about fair value measurements and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in Note 25 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 24.3 to the financial statements.

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Investments**

The investments, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate.

All investments are initially measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to acquisition.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments require delivery of securities within the time frame generally established by regulation or market convention.

The investment are classified in the following categories:

***Investments at fair value through profit or loss***

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. Derivative instruments held by the Fund generally comprise of future contracts in the capital markets. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contract. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities.

- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

After initial measurement, investment designated at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognised in the income statement

***Held to maturity***

Investment with fixed maturities and fixed or determinable payments are classified as held to maturity investments when management has both the intent and ability to hold to maturity. After initial measurement, such investment are carried at amortised cost less any provision for impairment except for in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations and directives issued by SECP.

***Available for sale***

Investments which are not classified in the above category are classified as available for sale investments. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in statement of comprehensive income is taken to the income statement.

Fair value of investments is determined as follows:

***Term finance certificates(TFCs) and Sukuk Certificates:***

The Fund's investment in TFCs and Sukuk Certificates are revalued at the rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations. Further, the said circular has provided the discretion to the management to apply markup/markdown (within the available limits as prescribed in that circular) to the yields of Non-traded debt securities to arrive at their fair values.

***Government securities:***

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

## **5.2 Provisioning policy**

To fulfill the requirement of SECP Circular No. 13 dated 04 May 2009 the BOD approved a comprehensive provisioning policy whereby the Investment Committee (IC) can make accelerated provision against any non-performing security after considering the financial difficulties of the issuer, probability of the borrower entering bankruptcy or financial reorganization, deterioration of key financial ratios, down grade of credit rating, measurable decrease in cash flows and industry out look. The policy states:

An asset shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter or as specified by the SECP from time to time from the day such income / installment has fallen due.

Whilst the above definition shall remain applicable in all general conditions, the conditions applicable for classification of Deep Discount Bonds as NPA shall be put into practice for investment in all other assets also when the Board of Directors of the Asset Management Company on the recommendation of the IC deems it appropriate and in the best interest of its investors.

An asset is reclassified as 'standard/performing asset' only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

The complete policy is placed on the company's website for purposes of disclosure and transparency.

## **5.3 Securities under repurchase / resale agreements**

Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement using the effective interest method.

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement using the effective interest method.

## **5.4 Preliminary expenses and flotation costs**

These costs are being amortised over a period of five years commencing from 23 August 2007 in accordance with the Trust Deed. These expenses were paid by the Management company.

## **5.5 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company, for the applications received by it. The offer price represents the net asset value per unit as of the close of the business day plus provision of duties and charges and provision of transaction costs, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less duties, taxes, charges on redemption and provision for transaction costs, if applicable.

Redemption of units is recorded on acceptance of application of redemption.

**5.6 Element of income / (loss) and capital gain / (loss) included in prices of units sold less those in units redeemed**

An equalisation account called the "element of income / (loss) included in prices of units sold less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records the net element of accrued income / (loss) relating to units issued and redeemed during an accounting period in the income statement while the portion of the element of income / (loss) that relates to unrealised gains / (losses) relating to available for sale investment securities held by the Fund is recorded in a separate reserve account in the statement of assets and liabilities and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders.

**5.7 Net asset value per unit**

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end. Net assets are defined in NBFC Regulation, 2008 clause 66.

**5.8 Taxation**

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

**5.9 Revenue recognition**

Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

Dividend income is recognised when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, bank deposits, commercial papers, federal government securities and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

**5.10 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

**5.11 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**5.12 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances and term deposits.

### 5.13 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

### 5.14 Provision

A provision is recognised in the statement of assets and liabilities when the Fund has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 5.15 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the Management company.

## 6. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

## 7. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRS 2 - Share based payment – Amendments relating to Group Cash-settled Share based payment transactions	01 January 2010
IFRIC 14 - IAS 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Fund considers that the above standards, amendments and interpretations, are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

	Note	30 June 2010	30 June 2009
(Rupees)			
<b>8. BANK BALANCES</b>			
PLS saving accounts	8.1	34,450,866	276,671,307
Current accounts		6,568	694,846
Term deposit receipts		-	100,000,000
		<u>34,457,434</u>	<u>377,366,153</u>

8.1 Profit rates on savings accounts ranged from 4.89% to 12.35% (2009: 4.89% to 11.5%) per annum.

	Note	30 June 2010	30 June 2009
(Rupees)			
<b>9. INVESTMENTS</b>			
<b>Designated at fair value through profit or loss upon initial recognition</b>			
Listed term finance certificates and sukus	9.2	111,326,295	376,993,457
Unlisted term finance certificates and sukus	9.3	128,831,257	371,103,464
Government securities	9.4	71,864,575	-
		<u>312,022,127</u>	<u>748,096,921</u>
<b>Held to maturity</b>			
Certificate of investment / Certificate of deposits	9.5	-	-
		<u>312,022,127</u>	<u>748,096,921</u>
9.1 Cost of investments as at 30 June		<u>399,685,801</u>	<u>819,290,148</u>

## 9.2 Listed term finance certificates

All term finance certificates have a face value of Rs. 5,000 each

Name of security	As at 01 July 2009	Purchased during the year	Sold during the year	As at 30 June 2010	Carrying Value as at 30 June 2010	Percentage of total investments on the basis of carrying value	Percentage of investment in relation to net assets of the fund	Percentage of investments in relation to the issued capital of the investee company
	-----Number of certificates-----				(Rupees)			
<b>Quoted</b>								
<b>Chemicals</b>								
Pak Arab Fertilizer Limited (28-02-08)	3,478	-	3,478	-	-	-	-	-
<b>Banks</b>								
NIB Bank Limited (05-03-08)	23,245	-	23,245	-	-	-	-	-
United Bank Limited- IV (14-02-08)	28,350	-	28,350	-	-	-	-	-
<b>Miscellaneous</b>								
Pakistan Mobile Communications Limited (28-10-08)	10,000	-	4,500	5,500	23,787,450	7.62%	6.68%	0.68%
Pace Pakistan Limited (15-02-08)	18,000	-	-	18,000	87,538,845	28.06%	24.59%	5.84%
<b>Total quoted</b>					<u>111,326,295</u>	<u>35.68%</u>		

### 9.3 Un-listed term finance certificates and sukuk

All term finance certificates and sukuk certificates have a face value of Rs. 5,000 each, unless stated otherwise

Name of security	Note	As at 01 July 2009	Purchased during the year	Sold during the year	As at 30 June 2010	Carrying Value as at 30 June 2010	Percentage of total investments on the basis of carrying value	Percentage of investment in relation to net assets of the fund	Percentage of investments in relation to the issued capital of the investee company
-----Number of certificates -----						(Rupees)			
<b>Unquoted</b>									
<b>Connected person:</b>									
<b>Food Producers</b>									
Al Abbas Sugar Mills (Private) Limited (21-11-07)		9,000	-	-	9,000	30,489,374	9.77%	8.56%	4.07%
<b>Others:</b>									
<b>Chemicals</b>									
Engro Fertilizer Limited (18-03-08)		3,000	-	-	3,000	14,053,965	4.50%	3.95%	0.35%
<b>Construction and materials</b>									
Kohat Cement Limited - sukuk Issue (20-12-07)		10,000	-	-	10,000	36,225,000	11.61%	10.18%	14.49%
Maple Leaf Cement - sukuk Issue (03-12-07)		24,000	-	-	24,000	107,961,120			
Provision against Maple Leaf Cement - sukuk Issue	9.3.1					(59,898,202)			
						48,062,918	15.40%	13.50%	6.01%
<b>Household goods</b>									
Pak Elektron Limited (28-09-07)		17,800	-	17,800	-				
New Allied Electronics (Private) Limited-term finance certificates (15-05-07)		10,000	-	-	10,000	23,946,178			
New Allied Electronics (Private) Limited-sukuk Issue (27-07-07)		16,000	-	-	16,000	4,721,021			
Provision against New Allied Electronics (Private) Limited- term finance certificates and sukuk Issue	9.3.2					(28,667,199)			
<b>Financial services</b>									
Orix Leasing Pakistan Limited (15-01-08) (Face value Rs.100,000/-)		900	-	900	-	-	-	-	-
KASB Securities (Private) Limited (27-06-07)		10,000	-	10,000	-	-	-	-	-
<b>Total unquoted debt securities</b>						<b>128,831,257</b>	<b>41.28%</b>		

**9.3.1** This issue has been restructured during the year. The terms of restructuring include issue of additional Sukuk certificates to the existing Sukuk holders in lieu of overdue markup, which will be recognized upon receipt in the Central Depository System. The rental payments in respect of initial investment will be made in 36 quarterly installments at 3 month KIBOR plus margin of 1% per annum from 3 December 2009 to 2 December 2014 and 1.7% per annum for the remaining term. Rental payments in respect of additional Sukuk certificates will be made at 3 months KIBOR plus margin of 1% per annum while the profit will be paid on a quarterly basis and principal will be repaid in bullet form in March 2012. The Fund has received two installments under the restructuring arrangement of Rs.45,191 (principal Rs.25,500 and Rs.19,691) and Rs.45,685 (principal Rs.25,500 and Rs.20,185) respectively. As of the balance sheet date, the above sukuk are classified by MUFAP as non-performing debt securities and accordingly the management is carrying the provision of Rs. 59.9 million against the investment in accordance with the requirements of Circular No.01 dated 06 January 2009, issued by the SECP and the provisioning policy approved by the Board. The said provision will be reversed in accordance with the requirements of the aforesaid circular and provisioning policy of the Company.

**9.3.2** This includes investment aggregating to Rs.28.67 million against which the investee company had not made payments at the contractual dates. The principal due as of the period end has not yet been received. The overdue principal and mark-up receivable against these amounted to Rs.18.2 million and Rs.1.38 million, respectively. As of the balance sheet date, the above term finance certificates / sukuks are classified by MUFAP as non-performing debt securities and accordingly the management is carrying the provision of Rs. 28.67 million against the investment in accordance with the requirements of Circular No.01 dated 06 January 2009, issued by the SECP and the provisioning policy approved by the Board.

#### 9.4 Government securities

Type of instrument	Issue date	Tenor (years)	Face Value	Profit Mark-up Rate %	(Quantity)					Fair Value as at 30 June 2010	Percentage of total investments on the basis of carrying value	Percentage of net assets on the basis of carrying value	
					As at 01 July 2009	Purchases during the year	Sales during the year	Maturities during the year	As at June 30, 2010				
PIB	3-Sep-09	10 Years	100	12.00%	-	250,000	-	-	250,000	23,875,825	7.66%	6.71%	
PIB	30-Aug-08	10 Years	100	12.00%	-	500,000	-	-	500,000	47,988,750	15.38%	13.48%	
PIB	30-Aug-08	15 Years	100	-	-	250,000	250,000	-	-	-	-	-	
T-bills	26-Sep-09	3 Months	100	-	-	2,200,000	2,200,000	-	-	-	-	-	
T-bills	1-Oct-09	3 Months	100	-	-	370,000	370,000	-	-	-	-	-	
T-bills	24-Sep-09	6 Months	100	-	-	1,350,000	-	1,350,000	-	-	-	-	
T-bills	26-Sep-09	6 Months	100	-	-	1,000,000	1,000,000	-	-	-	-	-	
T-bills	12-Feb-09	6 Months	100	-	-	1,000,000	-	1,000,000	-	-	-	-	
(Rupees)										750,000	71,864,575	23.04%	20.19%

**Note 30 June 2010 30 June 2009**  
(Rupees)

#### 9.5 Held to Maturity

##### Certificate of Investment (COI)

Security Leasing Corporation Limited  
First Dawood Investment Bank Limited

Provision for impairment

	-	41,250,000
9.5.1	<b>35,000,000</b>	35,000,000
	<b>35,000,000</b>	76,250,000
	<b>(35,000,000)</b>	(76,250,000)
	-	-

##### 9.5.1

First Dawood Investment Bank Limited (FDIBL) made a default in repayment against COI amounting to Rs. 35 million, on 23 October 2008. The Fund filed a suit for the recovery of its investment. The suit was heard in the Banking Court No.III at Karachi and a decree was issued in favor of the Fund on May 07, 2010. FDIBL has appealed against the decree obtained by the Fund in the High Court of Sindh, Karachi, which is pending adjudication. The Fund's legal counsel on the merits of the case is confident that the Fund will recover its investment from FDIBL. However, on the basis of prudence, the management has made a provision against the said investment.

#### 9.6 Significant terms and conditions of debt securities held as at 30 June 2010 are as follows:

Name	Quoted / Unquoted	Markup Rate per annum	Maturity	Secured / Unsecured	Details of Security	Rating
<b>Designated at fair value through profit or loss upon initial recognition</b>						
<b>Chemicals</b>						
Engro Chemical Pakistan Limited – I (ECPL)	Quoted	6 months KIBOR + 155 bps	30 November 2015	Secured	Second ranking charge on all present and future fixed assets of ECPL to be upgraded within 90 days from the date of issue to first ranking pari passu charge over all present and future fixed assets of ECPL	AA

<b>Construction and materials</b>								
Maple Leaf Cement Factory Limited – sukuk Issue	Unquoted	3 months KIBOR	+ 100 bps	03 December 2018	Secured	Ranking hypothecation charge in respect of all specified present and future fixed assets of the Issuer	Withdrawn	
Kohat Cement Limited - Sukuk	Unquoted	3 months KIBOR	+ 180 bps	13 December 2015	Secured	Hypothecation charge over all future fixed assets of the Company equivalent to the facility amount, along with a 25 percent margin. First ranking mortgage over all specified future immovable properties of the Company with a 25 percent margin	Withdrawn	
<b>Household Goods</b>								
New Allied Electronic Industries (Private) Limited	Unquoted	3 months KIBOR	+ 275 bps	15 May 2011	Secured	Lien of the Trustee on the collection account, Mortgaged deed over property, hypothecation charge over stocks and receivables with a 25 percent margin	D	
New Allied Electronic Industries (Private) Limited - sukuk II (NAEIL)	Unquoted	3 months KIBOR	+ 260 bps	25 July 2012	Secured	Ranking charge over all present and future fixed assets of NAEIL amounting to PKR 300 million	D	
<b>Food Producers</b>								
Al Abbas Sugar Mills Limited	Unquoted	6 months KIBOR	+ 175 bps	21 November 2013	Secured	Ranking hypothecation charge in respect of all specified present and future fixed assets of the Issuer	A+	
<b>Miscellaneous</b>								
Pakistan Mobile Communications Limited – PP	Unquoted	6 months KIBOR	+ 130 bps	01 October 2010	Unsecured	-	AA-	
Pace Pakistan Limited	Quoted	6 months KIBOR	+ 150 bps	15 February 2013	Secured	Hypothecation charge in respect of all specified present and future fixed assets excluding land and building of the Issuer. Mortgage charge on specified immovable properties of the issuer, along with a margin of 25 percent.	A+	

### 9.7 Details of Non-compliant investments with the investment criteria of assigned category and constitutive documents

Name of non-compliant investment	Type of investment	Value of Investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets
Kohat Cement Limited - sukuk (13-12-07)	Sukuk	36,225,000	-	36,225,000	10.18%	10.02%
Maple Leaf Cement Factory Limited – sukuk Issue (07/01/08)	Sukuk	107,961,120	59,898,202	48,062,918	13.50%	13.30%
Pace Pakistan Limited (15/02/08)	TFC	87,538,845	-	87,538,845	24.59%	24.22%

<b>10. MARK-UP/ INTEREST RECEIVABLE</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>(Rupees)</b>	
On		
- Term deposits	-	3,664,383
- Investments		
Term finance certificates and sukuk certificates-net	<b>6,643,502</b>	30,125,115
Certificate of investments	-	16,729
Government securities	<b>2,989,590</b>	-
	<b><u>9,633,092</u></b>	<b><u>33,806,227</u></b>

**11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**
**Security deposit with**

Central Depository Company of Pakistan Limited	<b>200,000</b>	200,000
National Clearing Company of Pakistan Limited	<b>2,500,000</b>	3,500,000
Advance tax	<b>421,811</b>	421,811
Prepaid rating fee	<b>36,870</b>	25,411
Other receivables	-	314,062
	<b><u>3,158,681</u></b>	<b><u>4,461,284</u></b>

**12. PRELIMINARY EXPENSES AND FLOATATION COSTS**

Balance as at 01 July	<b>3,147,240</b>	4,143,407
Amortisation during the year	<b>(998,902)</b>	(996,167)
Balance as at 30 June	<b><u>2,148,338</u></b>	<b><u>3,147,240</u></b>

**13. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY**

The Management company is entitled to remuneration for services rendered to the Fund under Regulation 61 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 3% of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to 2% of such assets of the Fund. The rate used by the Management company (and the Fund) is 1.5 percent per annum of the average daily net assets of the Fund as disclosed in the offering document.

**14. REMUNERATION PAYABLE TO THE TRUSTEE**

According to the provision of the Trust deed of the Fund the Trustee is entitled to a monthly remuneration for services rendered as follows:

**On net assets:**

Up to Rs. 250 million to Rs. 500 million	Rs.0.5 million plus 0.15% per annum of the Net Asset exceeding Rs. 250 million
Up to Rs. 500 million to Rs. 1,000 million	Rs.0.875 million plus 0.08% per annum of the Net Asset exceeding Rs. 500 million
Up to Rs. 1,000 million to Rs. 2,000 million	Rs.1.275 million plus 0.08% per annum of the Net Asset exceeding Rs. 2,000 million

Any upward increase in the Trustee's remuneration would require SECP's approval and amendment in the Trust Deed. However, any downward shift in the Trustee's remuneration will not require such an approval.

**15. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets.

**16. ACCRUED EXPENSES AND OTHER LIABILITIES**

**30 June 2010    30 June 2009**  
**(Rupees)**

Auditor's remuneration	<b>357,545</b>	350,000
Sales load	<b>47,928</b>	58,339
Preliminary expenses and floatation cost	<b>3,000,000</b>	4,000,000
Others	<b>384,650</b>	546,541
	<b><u>3,790,123</u></b>	<b><u>4,954,880</u></b>

**17. CONTINGENCY**

The Finance Act, 2008 introduced an amendment to the Workers Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay 2% of their income to WWF (as defined in section 4 & 2(I) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) has filed a constitutional petition in the High Court of Sindh (the Court) praying it to declare that CIS are not industrial establishments and as a result are not liable to pay contribution to WWF. However, the Court vide its order dated 25 May 2010, has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its member as MUFAP is not the aggrieved party in respect of its members. Consequently, few CIS have filed constitution petitions.

Subsequent to the year end, the Ministry of Labour issued a letter and a clarification stating that WWF is not applicable to mutual funds. MUFAP on the basis of abovementioned events obtained a legal advice from its counsel who has advised that provision for WWF is not required and the constitutional petition filed by a few CIS should be withdrawn. In view of the above, the Management Company has not made a provision of WWF in the financial statements for the current year amounting to Rs.1.08 million.

**18. NUMBER OF UNITS IN ISSUE**

The units in issue as at 30 June 2010 were as follows:

	<b>30 June 2010</b>		<b>30 June 2009</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
Class A	<b>33,853,364</b>	<b>356,015,483</b>	119,138,917	1,154,660,171
Class B	-	-	-	-
Class C	-	-	-	-
Class D	-	-	-	-
Class E	-	-	-	-
	<b><u>33,853,364</u></b>	<b><u>356,015,483</u></b>	<u>119,138,917</u>	<u>1,154,660,171</u>

**18.1** The par value of each unit is Rs 10. The management of the Fund has set a minimum investment size of Rs 5,000. All units carry equal rights and are entitled to dividends and share in net asset value on liquidation.

**18.2** On the issuance of these units, front-end / sales load, (if any) is charged at the rate of 1% of Net Asset Value but not greater than 2%.

**18.3** On the redemption of these units, no back-end load is charged.

**19. MARK-UP / INTEREST INCOME**
**30 June 2010    30 June 2009**  
**(Rupees)**

Return on:		
- PLS and term deposit accounts	<b>30,571,630</b>	95,696,936
- Investments		
Term finance certificates and sukuk certificates	<b>71,932,906</b>	192,208,084
Certificate of investments / deposits	<b>1,662,593</b>	13,097,455
Government securities	<b>15,873,762</b>	1,719,182
	<b><u>120,040,891</u></b>	<u>302,721,657</u>

**20. LOSS ON INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – NET**

Gain / (loss) on sale of		
- Equity securities	-	229,175
- Government securities	<b>32,090</b>	2,172,284
- Debt securities		
- Listed	<b>(2,810,129)</b>	(90,192,438)
- Unlisted	<b>(19,377,480)</b>	(12,014,036)
	<b><u>(22,187,609)</u></b>	<u>(102,206,474)</u>
Loss on sale of investments – net	<b>(22,155,519)</b>	(99,805,015)
Provision for impairment against investments classified as fair value through profit and loss	<b>(59,898,202)</b>	(77,078,269)
Reversal of provision for impairment against investments classified as fair value through profit and loss	<b>36,225,000</b>	-
Unrealised gain / (loss) on revaluation of investments at fair value through profit and loss – net	<b>13,087,900</b>	(71,193,247)
	<b><u>(32,740,821)</u></b>	<u>(248,076,531)</u>

**21. AUDITORS' REMUNERATION**

Annual audit	<b>275,000</b>	325,000
Half yearly review	<b>100,000</b>	100,000
Review of statement of compliance with the Code of Corporate Governance	<b>25,000</b>	25,000
Certification in respect of CDC Regulations	<b>40,000</b>	-
Out of pocket expenses	<b>96,593</b>	82,997
	<b><u>536,593</u></b>	<u>532,997</u>

**22. EARNINGS PER UNIT**

Earning per unit (EPU) for the year has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

**23. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties / connected persons include BMA Asset Management Company Limited (the Management Company), BMA Empress Cash Fund, BMA Capital Management Limited (the holding company of the Management Company), MCB Financial Services Limited (the Trustee), Al Abbas Sugar Mills Limited (common directorship) and key management personnel of the Management Company, etc. (refer below for details)

Remuneration payable to the Management company and the trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively. Details of transactions with related parties and balances with them at the year end are as follows:

	For the year ended 30 June 2010		For the year ended 30 June 2009	
	(Units)	(Rupees)	(Units)	(Rupees)
<b>Units sold to:</b>				
- Directors and executives of the Management company	30,233	326,378	35,823	346,828
BMA Asset Management Company	8,160,836	85,000,000	27,683,225	263,628,533
BMA Capital Management Limited	16,914,648	126,409,737	12,910,821	150,351,606
BMA Financial Services Limited	9,599,618	98,867,425	197,761	2,000,000
BMA Capital Management Limited - Staff Provident Fund	-	-	5,391,349	50,000,000
<b>Unit holders with holding of 10% and above:</b>				
Trustees Adamjee Foundation	-	-	3,370,482	31,439,683
MCB Bank Limited Staff Provident Fund	-	-	387,311	3,880,156
Wellcome Pakistan Limited Provident Fund	-	-	4,813,196	44,699,286
<b>Units redeemed by:</b>				
- Directors and executives of the Management company	30,077	326,378	24,539	240,236
BMA Capital Management Limited	22,060,673	228,479,029	10,817,354	107,738,707
BMA Asset Management Limited	19,841,685	201,724,047	16,933,101	162,456,371
BMA Financial Services Limited	9,599,618	98,886,624	197,761	2,044,872
BMA Capital Management Limited - Staff Provident Fund	1,575,200	16,638,510	3,816,149	35,818,303
<b>Unit holders with holding of 10% and above:</b>				
Trustees Adamjee Foundation	-	-	2,013,425	19,183,307
MCB Bank Limited Staff Provident Fund	1,490,284	15,000,000	-	-
Wellcome Pakistan Limited Provident Fund	-	-	2,247,821	23,407,455
<b>Transactions with related parties</b>				
			30 June 2010	30 June 2009
			----- (Rupees) -----	
<b>Al Abbas Sugar Mills Limited</b>				
- Income received on term finance certificate			5,536,409	6,905,676
<b>BMA Asset Management Company</b>				
- Remuneration to Management company			13,847,431	30,958,850
- Sales load			274,200	750,564
<b>Trustee</b>				
- Remuneration of the trustee			1,199,943	2,041,046
			30 June 2010	30 June 2009
	(Units)	(Rupees)	(Units)	(Rupees)
<b>Units Held by:</b>				
- Directors and executives of the Management company	41,976	441,365	49,218	476,971
- BMA Asset Management Company Limited	-	-	11,680,850	113,213,812
- BMA Capital Management Limited	-	-	5,146,025	49,873,797
- BMA Capital Management Limited- Staff Provident Fund	-	-	1,575,200	15,276,246
<b>Unit holders with holding of 10% and above:</b>				
Trustees Adamjee Foundation	3,226,776	33,934,060	3,226,776	31,272,983
MCB Bank Limited Staff Provident Fund	3,936,191	41,394,558	5,426,475	52,591,834
Wellcome Pakistan Limited Provident Fund	4,652,760	48,930,278	4,652,760	45,093,212
<b>Investment in related party</b>				
- Al Abbas Sugar Mills Limited (TFC certificates)	9,000	30,489,374	9,000	37,086,679

	30 June 2010	30 June 2009
	------(Rupees)-----	
<b>Balances with related parties:</b>		
<b>BMA Asset Management Company</b>		
- Remuneration payable to the Management company	452,963	1,366,406
- Formation cost payable	3,000,000	4,000,000
<b>Trustee</b>		
- Remuneration payable to the trustee	55,571	111,919

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management company, the Fund's constitutive documents and the regulations and directives of the SECP.

Financial risk in the Fund is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/net assets or may result in imposition of constraints on the Fund's ability to meet its business objectives. Such constraints pose a risk as these could hinder the Fund's ability to conduct its ongoing business or to take benefit of opportunities to enhance its business.

These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk (which includes interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Regardless of the sophistication of measures, the Fund often distinguishes between expected and unexpected losses. Expected losses are those that the Management knows with reasonable certainty will occur (e.g. the expected decline in prices) and are typically reserved for in some manner. Unexpected losses are those associated with unforeseen events.

Risk management activities broadly take place simultaneously at following different hierarchy levels: a) Strategic Level: It encompasses risk management functions performed by senior management and BOD. It is concerned with the overall risk management of the organization starts with identifying of risk, planning to mitigate them, implementation of strategies and monitoring.

b) Macro Level: It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category.

c) Micro Level: It involves 'On-the-line' risk management where risks are actually created. This is the risk management activities performed by individuals who take risk on organization's behalf such as front office and transactions origination functions.

Risk management starts at the highest management level. Its responsibility rests with the board of directors. Senior management makes sure that the policies of risk management are ingrained in the organization's culture.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk

may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

Concentrations of risk may arise if the Fund has a significant exposure in a single industry, or aggregate exposure in several industries that tend to move together. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

## 24.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, debt security prices and foreign exchange rates.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, debt security prices and foreign exchange rates.

### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Fund has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Fund while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

The Fund's interest rate exposure on financial instruments is disclosed as follows,

	30 June 2010	30 June 2009
	Rupees	
<b><i>Fixed rate instruments</i></b>		
Government Securities	71,864,575	-
Term Deposit Receipts	-	100,000,000
<b><i>Variable rate instruments</i></b>		
Term Finance Certificates and Sukuks	240,157,552	748,096,921
Bank Balances	34,450,866	276,671,307

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Fund's income.

	Increase / (decrease) in basis points	Sensitivity of interest income Increase/(decrease) ----- (Rupees) -----	Sensitivity of changes in fair value of investments Increase/(decrease)
<b>2010</b>	100 (100)	8,020,227 (8,020,227)	(5,978,894) 5,978,894
<b>2009</b>	100 (100)	13,247,792 (13,247,792)	(7,480,996) 7,480,996

### (ii) Price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Fund is exposed to changes in the fair values of investments as a result of changes in MUFAP Prices and PKRV rates.

**(iii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

The Management company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies.

**24.3 Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemption during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

30 June 2010	Not later than one month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----- Rupees -----					
<b>Financial assets</b>						
Bank balances	34,457,434	-	-	-	-	34,457,434
Investments	-	-	23,787,450	118,028,219	170,206,457	312,022,126
Mark-up / interest receivable	-	7,776,807	1,856,284	-	-	9,633,092
Security deposits	-	-	-	-	2,700,000	2,700,000
Sub-total	34,457,434	7,776,807	25,643,734	118,028,219	172,906,457	358,812,652
<b>Financial liabilities</b>						
Remuneration payable to the Management Company	452,963	-	-	-	-	452,963
Remuneration payable to the Trustee	55,571	-	-	-	-	55,571
Annual fee payable to the Securities and Exchange Commission of Pakistan	692,371	-	-	-	-	692,371
Payable against redemption of units	413,161	-	-	-	-	413,161
Accrued and other liabilities	1,790,123	-	-	2,000,000	-	3,790,123
Sub-total	3,404,189	-	-	2,000,000	-	5,404,189
<b>Liquidity gap</b>	<b>31,053,245</b>	<b>7,776,807</b>	<b>25,643,734</b>	<b>116,028,219</b>	<b>172,906,457</b>	<b>353,408,463</b>

**30 June 2009**

	<u>Not later than one month</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	----- Rupees -----					
<b>Financial assets</b>						
Bank balances	277,366,153	-	-	-	-	277,366,153
Placements and term deposits	-	-	100,000,000	-	-	100,000,000
Investments	-	-	-	604,607,925	143,488,996	748,096,921
Mark-up / interest receivable	7,036,725	20,136,061	6,633,441	-	-	33,806,227
Security Deposits	-	-	-	-	3,700,000	3,700,000
Sub-total	284,402,878	20,136,061	106,633,441	604,607,925	147,188,996	1,162,969,301
<b>Financial liabilities</b>						
Remuneration payable to the Management Company	1,366,406	-	-	-	-	1,366,406
Remuneration payable to the Trustee	111,919	-	-	-	-	111,919
Annual fee payable to the Securities and Exchange Commission of Pakistan	1,850,180	-	-	-	-	1,850,180
Payable against purchase of Investment	176,562	-	-	-	-	176,562
Payable against redemption of units	3,934,269	-	-	-	-	3,934,269
Accrued and other liabilities	4,954,880	-	-	-	-	4,954,880
Sub-total	12,394,216	-	-	-	-	12,394,216
<b>Liquidity gap</b>	<b>272,008,662</b>	<b>20,136,061</b>	<b>106,633,441</b>	<b>604,607,925</b>	<b>147,188,996</b>	<b>1,150,575,085</b>

#### 24.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's credit risk is primarily attributable to its investment in term finance certificates, certificates of investment, term deposits and balances with banks. The credit risk on liquid fund is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies, offering document and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a approved rating agency. Due to defaults made by the issuers of TFCs the rating of the instrument have down graded from the investment grade, the Fund has not liquidated its investments as the management expects the counterparties will recover their rating. The table below analyses the Fund's maximum exposure to credit risk:

	30 June 2010	30 June 2009
	(Rupees)	
Investment in debt securities	240,157,552	848,096,921
Exposures (Other than Debt Securities)	-	-
Cash and cash equivalents	34,457,434	277,366,153
Mark-up / interest receivable	9,633,092	33,806,227

The analysis below summaries the credit quality of the Fund's debt portfolio:

#### Debt securities/ entity rating by category

	30 June 2010	30 June 2009
AAA	23.03%	-
AA- to AA+	4.50%	46.00%
A- to A+	45.45%	37.00%
BBB to BBB+	-	4.60%
Non Investment grade	27.02%	12.40%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

The analysis below summarizes the credit quality of the Fund's portfolio in deposits/ placement with banks:

**Rating by category**

	30 June 2010	30 June 2009
AAA	-	-
AA- to AA+	1.61%	-
A- to A+	98.35%	100.00%
BBB to BBB+	0.04%	-
Non Investment grade	-	-
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's policy is to maintain a diversified portfolio of financial assets and to enter into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's concentration of credit risk by industrial distribution;

Sector	Exposure on the basis of net investment			
	As at 30 June 2010		As at 30 June 2009	
	Rupees	%	Rupees	%
Chemicals	14,053,965	6	29,728,098	4
Construction and materials	84,287,918	35	108,012,120	13
Electronic and electrical equipment	-	-	81,051,170	10
Food producers	30,489,374	13	37,086,679	4
Banks	-	-	337,734,638	40
Financial services	-	-	131,803,450	15
Miscellaneous	111,326,295	46	122,680,766	14
	<b>240,157,552</b>	<b>100</b>	<b>848,096,921</b>	<b>100</b>

**24.5 Capital management**

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of units.

**25. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1 : quoted prices in active markets for identical assets or liabilities.

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	30 June 2010			30 June 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- Rupees -----					
Designated at fair value through profit or loss upon initial recognition						
- term finance certificates and sukuks	-	227,734,209	84,287,918	-	748,096,921	-
	-	227,734,209	84,287,918	-	748,096,921	-

The table below shows the reconciliation of all movements in the fair value of all financial instruments categorized within Level 3 between the beginning and end of the year.

2010	Designated at fair value through profit or loss upon initial recognition	Total
	----- (Rupees) -----	
Opening Balance	-	-
Transfers out	-	-
Transfers in	48,062,918	48,062,918
Purchases	-	-
Sales/Redemption	-	-
Unrealized Gain/Loss	-	-
Reversal of Provision for Impairment	36,225,000	36,225,000
Provision for Impairment	-	-
Closing Balance	<u>84,287,918</u>	<u>84,287,918</u>

## 26. SUBSEQUENT EVENT

The Board of Directors of the Management Company, in their meeting held on 07 July 2010, have approved the distribution of bonus units of Rs. 1.12 per unit to the unit holders of the Fund for the year ended 30 June 2010 amounting to Rs. 37.9 million.

## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by The Board of Directors of the Management company on September 07, 2010.

## 28. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management company and rating of the Fund and the Management company has been disclosed in Annexure I to the financial statements.

## 29. GENERAL

29.1 Figures have been rounded off to nearest rupee.

**For BMA Asset Management Company Limited  
(Management Company)**

**Muddassar Malik**  
Chief Executive

**Tashfin I. Huq**  
Director

## Annexure – I

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
 AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J)  
 OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**

**(i) UNIT HOLDING PATTERN OF THE FUND**

Category	Number of unit holders	30 June 2010		% of Total
		Number of units held	Amount (Rupees)	
Individuals	216	15,541,787	163,443,629	45.9%
Associated companies / directors	4		41,976	
		441,432	0.1% Retirement funds	
		13,609,574	143,123,710	40.2%
6		<u>4,660,027</u>	<u>49,006,712</u>	13.8%
	<b>233</b>	<b>33,853,364</b>	<b>356,015,483</b>	

Category	Number of unit holders	30 June 2009		% of Total
		Number of units held	Amount (Rupees)	
Individuals	454		54,664,226	
		529,789,986	46%	Associated
companies / directors	6	11,730,061	113,684,383	10%
Banks / DFIs	3		20,051,319	
		194,331,622	17%	Retirement
funds	15		18,008,371	
		174,531,963	15%	Others
15		<u>14,684,940</u>	<u>142,322,217</u>	12%
	<b>493</b>	<b>119,138,917</b>	<b>1,154,660,171</b>	

**(ii) DETAILS OF UNIT HOLDERS/INVESTORS HOLDING 5% OR MORE**

Name	Number of units held	30 June 2010	
		Amount (Rupees)	% of Total
Wellcome Pakistan Limited Provident Fund	4,652,760	48,930,278	14%
MCB Bank Limited Staff Provident Fund	3,936,191	41,394,558	12%
Trustees Adamjee Foundation	3,226,776	33,934,060	10%
Mrs Zareen Gulgee	2,317,755	24,374,439	7%
Glaxo Laboratories Pakistan Limited Local Staff Provident Fund	1,745,919	18,360,777	5%

Name	Number of units held	30 June 2009	
		Amount (Rupees)	% of Total
Allied Bank Limited	10,000,000	96,922,584	8.39%
BMA Asset Management Company Limited	11,680,850	113,213,812	9.80%
Bank of Punjab	10,051,318	97,419,973	8.44%

**(iii) LIST OF TOP FIVE BROKERS BY PERCENT OF THE COMMISSION PAID**

S.No.	Name	Percentage of commission paid	
		30 June 2010	30 June 2009
1	First Capital Equities Limited	2.89%	28.93%
2	Global Securities Pakistan Limited	28.07%	44.66%
3	ICON Securities (Private) Limited	2.27%	
4	Invest Capital Investment Bank Limited	1.85%	11.17%
5	JS Global Capital Limited	19.24%	12.41%
6	KASB Securities	45.68%	-
7	Al-Falah Securities ( Private) Limited	-	2.83%
		100%	100%

During the year the Fund has carried out transactions only through above brokers.

**(iv) THE MEMBERS OF THE INVESTMENT COMMITTEE**

Name	Designation	Qualification	Experience
Mr. Mudassar Malik	Chairman of Investment Committee / CEO	MBA, Finance & Corporate Strategy	18 Years
Ms. Iffat Z. Mankani	Chief Investment Officer	MBA, Finance	10 Years
Mr. Mustafa Pasha	Fund Manager	BA, Economics	3 Years

**(v) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Following are the names of directors who attended the meetings of the board of directors during the year along with the dates of the meetings.

Name of Director	Meeting held on										
	8 July 2009	10 July 2009	8 July 2009	30 October 2009	07 November 2009	20 November 2009	11 February 2010	26 February 2010	29 April 2010	16 May 2010	2 June 2010
Mr. Arif Masood Naqvi	-	√	-	√	-	√	-	√	-	-	Resigned
Mr. Waqar Hassan Siddiqui	√	-	√	-	-	√	√	-	√	√	-
Mr. Mustafa Abdel Wadood	√	-	√	-	√	-	√	-	√	√	Resigned
Mr. Thomas James Speechley	-	√	-	√	√	-	-	√	-	-	√
- Mr. Farrukh Hussain Khan	√	√	√	√	√	√	√	√	√	√	Resigned
Mr. Moazzam Malik	√	√	√	√	√	√	√	√	√	√	Resigned
Mr. Mohammed Iqbal	√	√	√	√	√	√	√	√	√	√	√
Mr. Mudassar Malik	√	√	√	√	√	√	√	√	√	√	√
Mr. Tashfin Huq	-	-	-	-	-	-	-	-	-	-	√
Mr. Zahid Noorani	-	-	-	-	-	-	-	-	-	-	-
Mr. Omer Syed	-	-	-	-	-	-	-	-	-	-	√
Mr. Abdullah Shahin	-	-	-	-	-	-	-	-	-	-	√

**(vi) RATING OF THE FUND AND MANAGEMENT COMPANY**

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned an 'A- (f)' fund stability rating to the Fund.

JCR-VIS has assigned an 'AM2-'management quality rating to the Management Company.

**For BMA Asset Management Company  
Limited  
(Management Company)**

**Muddassar Malik  
Chief Executive**

**Tashfin I. Huq  
Director**

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF CODE OF  
CORPORATE GOVERNANCE  
AS AT 30 JUNE 2010**

<b>PARTICULARS</b>	<b>UNIT HOLDING</b>
<b>INDIVIDUALS</b>	15,541,787
<b>MANAGEMENT COMPANY</b>	
BMA Asset Management Co Ltd	-
<b>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	
BMA Capital Management Limited	-
<b>NIT AND ICP</b>	-
<b>CHIEF EXECUTIVE</b>	
Mr. Muddassar Malik	10,766
<b>DIRECTORS</b>	
Mr. Tashfin I. Huq	-
Mr. Zahid Qasim Noorani	-
Mr. Muhammad Iqbal	-
Mr. Abdullah Shahin	-
Mr. Thomas James Speechly	-
Mr. Omer Syed	-
Mr. Waqar Hassan Siddique	-
<b>EXECUTIVES</b>	31,210
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	-
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</b>	1,793,847
<b>SHAREHOLDING 10% OR MORE VOTING INTEREST</b>	-
Trustees Adamjee Foundation	3,226,776
MCB Bank Limited Staff Provident Fund	3,936,191
Wellcome Pakistan Limited Provident Fund	4,652,760
<b>OTHERS</b>	4,660,027
	33,853,364